



M E D I A R E L E A S E

STATE OF TENNESSEE
BUREAU OF TENNCARE

FOR IMMEDIATE RELEASE
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XANTUS CONTRACT TERMINATED

NASHVILLE, Tenn. – TennCare is terminating its contract with Xantus Healthplan of Tennessee, Inc., effective August 1, 2003 and the Tennessee Department of Commerce and Insurance (TDCI) will seek an order of liquidation for the company, which has been operating in rehabilitation since 1999.

In an effort to ensure a smooth transition to TennCare Select -- the safety net plan for TennCare -- officials will have three months to move the 124,406 Xantus members to the new plan. The goal is to do everything possible to continue a high level of service.

"Our goal is to make sure TennCare members continue to have access to health care coverage," TennCare Director Manny Martins said. "We will work with the Xantus receiver and TennCare Select as well as Tennessee's provider community to ensure continuity of care."

Martins said although Xantus has been operating under a non-risk contract, the plan has not met the state's managed care cost targets. He further cited the plan's outdated claims processing system and the costly and time-consuming estimates for replacement of the system, as well as recent provider contract terminations as reasons for the action. "It's clear at this point that the state will not be able to sell the plan, as previously hoped," Martins said.

Martins acknowledges that this is an interim step being taken to prevent further financial losses to the state. "Moving enrollees to TennCare Select is not a long-term cure," Martins said. "But it will play a fundamental role in helping us resolve problems in our MCO system."

Xantus was taken into rehabilitation – a process similar to Chapter 11 bankruptcy – by TDCI in March 1999, when it was put under the management of state-appointed deputy receivers.

TDCI Commissioner Paula A. Flowers, who at one time served as a special deputy receiver for Xantus, said she is convinced the company cannot be successfully rehabilitated without a significant infusion of cash.

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TennCare Select, which is operated by BlueCross BlueShield of Tennessee, was created, in part, as a backup plan to protect enrollees in the event of an MCO's failure. It presently has 245,785 members. It is scheduled to receive an additional 95,429 TennCare members on

July 1, 2003 when the state's contract with Universal Care of Tennessee is terminated, as announced earlier this month.

TennCare is Tennessee's managed care insurance program for 1.3 million people who are poor, disabled or uninsured.

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